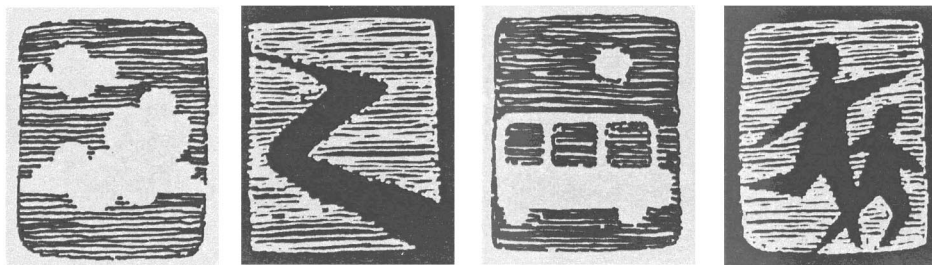




TRAQ Technical Brief

Transportation Air Quality Center

Commuter Choice: Guidance Overview



Commuter Choice is an important strategy to reduce emissions from passenger vehicles and improve air quality. Through Commuter Choice programs, employers offer one or more options from a diverse menu of commute benefits encouraging employees to commute by modes that are less polluting than driving alone. In addition, Commuter Choice programs can improve public transit systems and potentially reduce congestion. This technical brief is an introduction to the document "State Implementation Plan (SIP) Development Guidance: Using Emission Reductions from Commuter Choice Programs to Meet Clean Air Act Requirements". SIPs enumerate plans for implementation, maintenance, and enforcement of the National Ambient Air Quality Standards (NAAQS) in each air quality control region of a state. The Guidance directs State and local governments to the available tools and necessary requirements for including Commuter Choice programs in State Implementation Plans.

Significance

Since 1970, the amount people drive annually has more than doubled, and more people are driving. Employee commute trips to work make up approximately 28% of the vehicle miles traveled (VMT) on our roads today. The problem is that emissions from growing VMT and congestion threaten to offset and, in some areas, overwhelm the air quality benefits of today's cleaner cars and/or fuels. Auto emissions contribute heavily to air pollution and to increased greenhouse gases in the atmosphere. Both pose recognized risks to the environment and to people.

Since Commuter Choice programs can reduce VMT, auto emissions and greenhouse gases, they can improve public health and contribute to climate change prevention efforts. Commuter Choice can be an essential tool used by State and local air quality planning authorities to address transportation issues and air pollution concerns. The programs can be developed by an individual company or as part of a wider regional strategy.

Commuter Choice programs can help regions meet Clean Air Act goals. Emissions reductions generated through Commuter Choice programs may be included in SIPs for any criteria pollutant (e.g., ozone, particulate matter) in both nonattainment and maintenance areas. EPA is prepared to approve emission reductions in SIPs that may be used to meet Reasonable Further Progress (RFP) requirements, baseline determinations, redesignation, and maintenance demonstrations. EPA's Office of Mobile Sources (OMS) has issued a guidance document to assist State and local governments and agencies in calculating the emissions benefits of Commuter Choice programs in SIPs. OMS will provide technical guidance and assistance on SIP submittals, quantification expertise, outreach workshops, and location of funding information.

How Commuter Choice Programs Work

Reducing the frequency that commuters drive alone generates air quality benefits. Commuter Choice programs may be run by States, local agencies, or individual employers. However, economies of scale and the synergistic effects of large programs make community and regional efforts, including public-private partnerships, most effective. Such projects may include one, all, or a combination of the following individual benefits:

- Free or reduced cost passes for public transportation (such as subway cards, bus tokens, or train tickets).
- Transit or vanpool vouchers and subsidies.
- Services to facilitate vanpools and carpools (such as providing vans, ridematching, and guaranteed ride home services).

- Park and Ride subsidies.
- Telecommuting options (so employees can work at home more often).
- Proximate Commuting: a program that matches employees of multi-site employers (such as banks or chain stores) to the branch office nearest their home.
- Incentives to bike or walk.
- Parking Cash Out: employees can trade an employer-paid parking space for cash or other benefits.
- Guaranteed Ride Home programs.

With more options, commuters can be expected to use single-occupant vehicles less often.

Benefits of Tax Code Changes

Federal tax benefits and cost savings can motivate employers to offer more commute benefits for working people. Recognizing the air quality benefits of VMT reduction, Congress has established tax incentives giving employers and employees new ways to get tax savings in association with specified work commute benefits. These provisions, amended by the Transportation Equity Act for the 21st Century (title 9 section 910, PL 105-178), are contained in the Internal Revenue Code Section 132(f). The new tax law provides direct benefits for transit, vanpooling, and parking.

Under current law, qualified parking, transit and vanpool benefits offered by employers are not subject to certain Federal taxes (up to specified limits). Employers may also offer Parking Cash Out, a program in which employees can trade employer-paid parking spaces for cash or other qualified benefits.

How Commute Benefits Are Offered

Tax savings from Commuter Choice vary, depending on which commute benefits are offered by the employer and how they are provided to the employee. Below are three qualified methods:

1. “In-Addition-to” Compensation / Additional Benefit

Employees may receive the benefit in addition to their current wages. Specifically, they can receive transit, vanpool, and parking benefits completely free of all U.S. payroll and Federal income taxes up to specified limits. The employer pays for the benefit and receives a deduction from its Federal business income taxes for the value of the benefit. Neither the employer nor employee pays payroll-related taxes or costs on the benefit.

2. “In-Lieu-of” Compensation / Pre-Tax Benefit

An employer may permit employees to set aside some of their income, before taxes, to pay for qualified commutes. Employees may use this pre-tax income to pay for transit, vanpools, or parking. Employees would not pay Federal income taxes or payroll taxes on the amount they elect to set aside for the commute option, and employers would not pay U.S. payroll taxes or other payroll related costs since the amount is treated as a benefit rather than as taxable salary.

3. Cost-Sharing

An employer may share the cost of commuting to and from work with their employees. They could do this through a combination of the two benefits above.

Under the new tax law, employers can offer the specified benefits for their work commutes in addition to or in lieu of compensation, Federal-tax-free, up to these Federal limits: *

Up to \$175 for parking at or near work site and transit facilities

Up to \$65 for public transit

Up to \$65 for vanpool services

(For transit and vanpooling, this amount will increase to \$100/month for taxable years beginning after December 31, 2001.)

Note: Tax breaks on benefits only apply directly to transit, vanpool and parking benefits. The cash option from Parking Cash Out and any other cash incentives are taxable for the individual employee. In addition, the employer must pay payroll taxes related to the cashed out parking spot. Subsidized parking and other transportation benefits do not become taxable if an employer offers them along with the Parking Cash Out option. Although the tax laws do not specifically relate to benefits like telecommuting, carpooling, biking, walking, and other commute options, employers may still offer or encourage these choices. One way to provide an incentive for these options is through Parking Cash Out, where employees can choose the cash benefit and commute by these alternative modes.

* Any amount of benefit in excess of the federal limits will be subject to Federal income and payroll taxes. In addition, States may apply taxes even when the Federal government does not.

Additional Economic Benefits to Communities

Enhancing Downtown Parking

Commuter Choice can free up parking now used by downtown employees for other uses, making downtowns more attractive business locations. In addition, Commuter Choice can aid urban transit agencies whose services now compete with free parking to commuters. Cities using the program effectively can experience increased demand for alternative modes of transportation and increased efficiency, both aiding urban revitalization and efforts to prevent climate change. Commuter Choice can help revive downtowns as areas of transportation alternatives and multiple uses, rather than areas of gridlock.

Raising Tax Revenue

In a study of eight California employers who implemented Parking Cash Out, it was found that the tax base was increased. State and federal tax revenues from the employers increased by \$48 annually for each employee electing the taxable cash option.

The Guidance Document

The document, “SIP Development Guidance: Using Emission Reductions from Commuter Choice Programs to Meet Clean Air Act Requirements,” includes information that:

Describes the range of measures that are included under the Commuter Choice umbrella.

Summarizes the analytical details for quantifying the emissions reductions from Commuter Choice programs, including a basic four-step methodology.

Reviews legal and administrative requirements for using the emissions reductions in SIPs.

Estimating Emissions Reductions

The guidance provides a four-step methodology for developing protocols used to project emission reductions from Commuter Choice programs.

Four-Step Methodology	
Step 1	<i>Population of Commute Vehicles</i> Estimate the relevant population of vehicles driven to work
Step 2	<i>Potentially Affected Population</i> Estimate the proportion of these vehicles driven to employer worksites where Commuter Choice options are or will be available
Step 3a	<i>Participation Rates</i> Forecast the typical effectiveness of a commute benefit options program
Step 3b	<i>Uncertainty</i> Incorporate compliance and programmatic uncertainty factors
Step 4	<i>Emission Reductions</i> Estimate the total change in VMT and associated emission changes

For More Information

This document and additional information on transportation and air quality are available electronically at the TRAQ Center on the EPA Internet server at:

<http://www.epa.gov/oms/traq>

For a hard copy of this technical brief or the full document SIP Development Guidance: Using Emission Reductions from Commuter Choice Programs to Meet Clean Air Act Requirements, please call the National Service Center for Environmental Publications (NSCEP) at (800) 490-9198.

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